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C O N F I D E N T I A L SECTION 01 OF 02 MUSCAT 000430

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TAGS: [PREL](#) [ECON](#) [ETRD](#) [ENRG](#) [SENV](#) [KPAO](#) [MU](#)

SUBJECT: AMBASSADOR CONDUCTS BROAD OUTREACH IN SALALAH

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 (b, d)

SUMMARY

¶1. (SBU) Summary: The Ambassador visited the southern Omani city of Salalah and the surrounding governorate of Dhofar May 26-28. His trip included a meeting with the Deputy Governor of Dhofar, a tour of the operations of an expanding U.S.-based company, a discussion with university students about higher educational opportunities in the U.S., a visit to a nature preserve for the rare Arabian leopard, a lunch with local notables given by one of Salalah's elected representatives to the Majlis al-Shura, and the hosting of a reception for local U.S. citizens. End Summary.

ECONOMIC GROWTH RAISES ENVIRONMENTAL AND ENERGY CONCERNS

¶2. (SBU) Sheikh Abdullah bin Saif al-Mahruqi, Deputy Governor of Dhofar, warmly received the Ambassador and fondly recalled his travels within the U.S. as a young man. He described an expanding local economy fueled in part by new businesses locating in the Salalah Free Zone and the construction of numerous development projects. Plans for the booming real estate sector included three new shopping complexes, several hotels/resorts for tourists, and the "Muriya" residential and commercial community where non-GCC foreigners will be able to own freehold property. A new airport slated to open by 2011 would help bring more tourists to the region, he noted, while expansion at the Port of Salalah would increase maritime commercial traffic and provide more jobs for local residents.

¶3. (C) Mahruqi noted that development in the region carried an environmental cost. As owners of small farms in Salalah tried to convert their land to commercial or residential use to capitalize on the land boom, the city was being deprived of its "lush" feel and much needed "green space." Moreover, the Deputy Governor stated that overuse of underground aquifers and the corresponding increase in the salinity of the local ground water table had led the government to move larger-scale cultivation of water-intensive crops to areas farther in the interior where there was more fresh underground water.

¶4. (C) The Ambassador commended the Omani government for its stewardship of the environment and noted that implementation of the U.S.-Oman Free Trade Agreement (FTA) could bring more economic opportunities for Salalah. In particular, the relatively generous rules of origin provisions in the FTA would help attract foreign direct investment from countries in addition to the U.S. Mahruqi responded positively to the prospect of more American firms coming to Salalah and commented that current restraints on electricity available to new industries would be eased by a new 300-400 MW gas-fired power plant due to come on-line in 2010. (Note: The Manager of Business Development for the Salalah Free Zone told poloff while in Salalah with the Ambassador that the new plant would

not begin operations until 2011 and that it would not provide enough energy to meet future expectations for the Free Zone. End Note.)

¶5. (C) Speaking on his governorate's border with Yemen, Mahruqi said that there were "a lot" of Somali and Ethiopian refugees in Yemen and that police in Oman's Dhofar governorate apprehend some of them "every day" for illegally entering Oman. To avoid capture, he remarked, a number of these illegal migrants remained outside of the city of Salalah and caused damage to Oman's trademark and highly-valued frankincense trees.

ONE U.S. COMPANY'S SUCCESS STORY

¶6. (SBU) To get a first-hand look at business conditions and opportunities for American companies, the Ambassador took a tour of the facilities of U.S.-based Octal Petrochemicals (formed in 2006) in Salalah. Octal hopes to become the world's leading supplier of polyethylene terephthalate (PET) and chose the Salalah Free Zone due to its location adjacent to the Port of Salalah, which provides an optimal entry point for raw materials while providing convenient access for Octal's finished products to a number of important markets. Orders from its plant are loaded directly into containers for shipment from the port, obviating the need for warehouses.

¶7. (SBU) Octal officials told the Ambassador that they were so pleased with their decision to locate in Salalah that they were building a much larger production facility and took the

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Ambassador to view its construction. The company currently has approximately 70 employees, both Omani and expatriate, and plans to increase this number to roughly 400 when it completes its expansion in September. Once the new plant is up to full production capacity, Octal expects to meet 60% of global demand for PET. Starting salaries for factory workers begin at 250 Omani rials (USD 650) in contrast to the minimum wage for Omanis of 140 rials (USD 364). (Note: With recent salary increases for the public sector, which employs over 80% of Omani citizens, very few, if any, Omanis work for the minimum wage. End Note.) Conscious of its obligation to be a good "corporate citizen," Octal is considering ways of contributing to the Salalah community in addition to providing jobs for local residents.

PROMOTING HIGHER EDUCATION IN THE U.S.

¶8. (SBU) Dhofar University in Salalah is an enthusiastic proponent of educational exchanges with the U.S. The university has formal ties with American University of Beirut (AUB) and its curriculum is almost entirely modeled on AUB's. On a visit to the university's temporary campus, the Ambassador met with the president and faculty members to discuss the school's expansion plans and continued cooperation with the Embassy. The university's vice-chancellor informed the Ambassador that Dhofar University will host over 60 American college students this summer for Arabic language training. After this meeting, the Ambassador addressed a group of students (mostly female) on higher educational opportunities in the U.S. and then donated English and Arabic language books to the university library. The visit concluded with a tour of the site of the school's new campus, which is currently under construction.

DHOFAVIS TO FOREIGN COMPANIES: DO MORE FOR THE COMMUNITY

¶9. (C) On May 28, the Ambassador met with Dr. Rasheed al-Huraibi, one of Salalah's two elected representatives to

the Majlis al-Shura, the lower house of Oman's bicameral advisory body. Following this meeting, Huraibi hosted the Ambassador at a luncheon attended by over 40 local leaders from the business community, the media, government offices and tribal groups. A principal theme during the lively discussion was the alleged failure of U.S. and international companies in Oman to sufficiently contribute to their local communities. Some attendees suggested that foreign companies (with little apparent regard for the size of their in-country operations) should follow the example of large Omani state-owned companies in providing funding for big-ticket items such as the building of housing units. The Ambassador responded that American businesses in Oman were supporting their communities, but often chose not to publicize their actions. He cited Occidental and Microsoft as good examples of "corporate citizens," and noted the latter firm's active partnership with the Omani government in providing training and other resources to raise computer literacy in the Sultanate.

¶10. (C) A few lunch participants stated that the U.S. could improve its image in Oman by offering financial assistance for local projects in the Sultanate. One Omani suggested that the U.S. build a new hospital in Salalah. (Note: It is highly unlikely that the Omani government would accept foreign money for the building of public facilities. End Note.) The Ambassador replied that Oman, as a middle-income country, had graduated from receiving U.S. economic aid as it had sufficient resources to provide for its own needs. He explained that U.S. assistance instead took other forms and gave the example of cooperative projects funded by the Middle East Partnership Initiative (MEPI) that have led to new initiatives in education and other areas.

GRAPPO